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UNICEF management response to the annual report of the Office of Internal Audit and Investigations for 2017

Summary

The present report is submitted to the Executive Board in accordance with several decisions it has adopted, the most recent being decision 2017/10.

A status update on the implementation of agreed audit actions that remained open for 18 months or more at the end of 2017 is presented in the annex.

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I. Introduction

1. The present report has been prepared by the management of UNICEF in response to the UNICEF Office of Internal Audit and Investigations (OIAI) 2017 annual report to the Executive Board (E/ICEF/2018/AB/L.2).

2. Management is pleased to note that the OIAI assurance summary and opinion for 2017 is that, based on the scope of work undertaken, the adequacy and effectiveness of the UNICEF framework of governance, risk management and controls were generally satisfactory during 2017. Similar opinions were issued in 2016 and 2015. Management continues to recognize that there is scope for further improvement and is committed to further enhancing policies, procedures, systems, staff practices and performance-monitoring mechanisms to assure appropriate governance, risk management and control practices throughout UNICEF. This response describes the actions that management has taken to date and planned actions for 2018 to address the key issues identified in the audits and investigations undertaken by OIAI in 2017, as summarized in that office's annual report.

3. UNICEF is committed to having an effective internal audit and investigations function that carries out its activities in accordance with the OIAI Charter. This commitment is reflected in the OIAI 2018–2021 office management plan (OMP), which pays attention to priority risks and issues faced by UNICEF. This commitment is also reflected in staffing. The 2018 staffing profile includes five additional investigator positions.

4. Management continues to appreciate the detailed quarterly reporting by OIAI on the implementation status of its annual workplan and on the follow-up to agreed audit actions, both of which are provided to management and to the UNICEF Audit Advisory Committee (AAC). This quarterly reporting helps management to systematically monitor the implementation of the agreed audit actions. The Division of Financial and Administrative Management (DFAM) was tasked with follow-up and reporting on internal audit recommendations across UNICEF. This focused effort led to relatively low numbers of audit recommendations open for more than 18 months. Further improvements are expected in 2018, as the follow-up process put in place in 2017 and regular reporting on outstanding recommendations are fully implemented.

5. UNICEF continues to welcome the valuable contribution of the AAC in reviewing and providing general guidance on OIAI workplans and reports, and its review of the UNICEF audit, evaluation and ethics oversight functions. Management has considered the advice provided by the AAC in its annual report for 2017 (available on the Executive Board website) on management actions to further strengthen governance, risk management and control at UNICEF.

6. Management notes that 22 internal audit reports of UNICEF activities were issued in 2017, with 51 high-priority actions out of a total of 240 actions agreed between OIAI and UNICEF management. Management also notes and appreciates OIAI participation in five joint audits, which covered the work of multiple United Nations agencies, including UNICEF. One of the five joint audits included recommendations specifically directed to UNICEF. Management recognizes that 12 of the reports issued in 2017 were from audits undertaken in 2016, and that 4 audits undertaken in 2017 were at various stages of report completion as of 31 December 2017 and will be finalized by OIAI in 2018.

7. Management continues to appreciate the advisory services provided by OIAI — which do not include recommendations or agreed actions. The advisory services in 2017 included support to UNICEF work with humanitarian cash transfers, globally and in Yemen, and UNICEF policies on the handling of data, undertaken through a

review of work in the Child Protection Section of Programme Division. The supported offices have noted the valuable contribution of the advice provided by OIAI.

8. Management notes the OIAI declaration that in 2017 it continued to operate in general conformity with international auditing standards as promulgated by the Institute of Internal Auditors. This is based on the independent quality assurance review conducted in 2013, the confirmation by the AAC in 2016 that OIAI had addressed the agreed improvement actions recommended in the 2013 review, and that Office's own self-assessment. Management is pleased to note that OIAI will commission the next quality assurance review in 2018, thereby complying with the standard of conducting such a review at least every five years.

II. Public disclosure of internal audit reports

9. Pursuant to Executive Board decision 2012/13, all internal audit reports are subject to public disclosure. The same decision provides for the Executive Director and the Member States to request the Director of OIAI to redact or withhold reports under certain conditions. Of the 27 audit reports issued in 2017 (22 to UNICEF offices and 5 joint audits with other United Nations agencies), management notes that 10 were publicly disclosed on the UNICEF website, www.unicef.org/auditandinvestigation/index_65818.html, as of 28 February 2018, and that the remaining reports were under review for disclosure following the established procedure. Nine reports from previous years were disclosed in 2017. Management notes that in 2017 no audit reports were withheld from publication and that all disclosed audit reports for the year can also be accessed through the UNICEF Transparency Portal, http://open.unicef.org/, which contains a wide range of information on UNICEF performance.

III. Management actions and plans to address the overall internal audit results

10. Management fully supports decision 2017/10 of the Executive Board, which in operational paragraph 5 "expresses concern about areas of risk consistently identified in the audit reports, namely, results-based management, governance and accountability, and supply and logistics, and urges management to prioritize the implementation of actions that address these recurring identified risks". Responding to this concern, UNICEF took the actions presented in the following section, which covers actions in 2017 and early 2018, and what is planned for the balance of 2018, to further strengthen performance in these core areas of UNICEF work.

11. UNICEF management notes the key themes and recurrent issues emerging from the 27 audits and the advisory exercises undertaken in 2017 by OIAI. Management carefully reviewed the issues raised in the audit and advisory reports from OIAI and greatly appreciated the recommendations from OIAI. Management welcomes the Audit Unit's reorientation towards more upstream work, looking at the key risks and issues that may prevent UNICEF from achieving its current and future objectives.

Risk management

12. Management notes the issues raised by OIAI under the risk management category. In addition to already-existing risk management practices, in 2017, a corporate initiative was launched to develop a more coherent approach to enterprise risk management. This reflected the "value for money" principles of the UNICEF Strategic Plan, 2018–2021, and better addressed the inherent risks to implementing

the Plan. This initiative will help to consolidate the conceptual framework that will shape the design of the MetricStream-based risk management tool, to be implemented by the end of 2018 in all UNICEF country offices, regional offices and other offices and divisions. UNICEF also made significant strides in governance, risk and compliance efforts in 2017. The regulatory framework library went live in July 2017.

13. UNICEF will continue to enhance and strengthen the role of the operations function in risk management at the country-office level, providing additional capacity in DFAM for support to strategic operations to (a) facilitate managing a growing workload, (b) take a new business-partner approach that will ensure clearer, more direct service for clients, and (c) reinforce closer relationships with field-based operations staff who are at the forefront of applying the best practices in risk management. In addition, in the larger country offices, the position of a quality assurance officer has been established, with responsibility for, among other duties, assessing potential risks and advising on mitigation measures for implementation.

14. The Global Shared Services Centre (GSSC) was fully operational in 2017. The consolidation of key operational processes of all UNICEF offices to the GSSC reduces risk and improves efficiencies. Over the same period, specialized staff processed over 550,000 payments, administered 52,000 human resource cases, and processed the monthly payroll for over 13,000 staff. In 2017, the GSSC further advanced organizational performance and risk management through strengthened processes for the management of master data, which include information on such areas as partner, supplier and contractor contacts and accounts. The Centre's management plan for 2018–2019 expands on actions initiated in 2017 to further reduce fraud risk within UNICEF through a new detective reporting and data analysis capability.

15. The 2018–2021 OMP for the Supply Division includes 10 key strategies to support field offices to continually strengthen their supply functions. Implementation of these strategies will further enhance risk management in country offices, considering that supplies constitute a significant portion of UNICEF programme delivery.

16. Supply Division completed a major review of UNICEF general terms and conditions of contracts, purchase orders, long-term arrangements and solicitation documents to align them with best practices of similar organizations. The review resulted in revised contractual documents and guidance issued in Arabic, English, French, Russian and Spanish. Supply Division also developed guidance for country offices to assess the capacity of non-governmental organizations to conduct and manage construction works, and developed improved UNICEF guidance and systems for recording and monitoring goods-in-transit, expenditures for in-country logistics and customs-clearance monitoring.

17. Supply Division's well-developed processes for vendor evaluation and screening were extended to all UNICEF offices globally. To further improve UNICEF efficiency, an electronic system was developed in 2017 for the distribution of solicitation documents and receipt of bids. An electronic application was developed to handle the submission and approval of cases to the Contracts Review Committees throughout UNICEF. These tools are expected to be introduced to all field offices in 2018. In addition, in February 2018, UNICEF issued a policy on sustainable procurement, which is supported by a database of practical guidance, tips, case studies and tools for offices.

18. The training programme on supply and logistics continued in 2017, with more than 1,000 staff participating in face-to-face courses emphasizing contracting for services and emergency preparedness and response. To further supplement these trainings, an e-learning course on procurement in UNICEF was launched in English

and French. Over 2,400 UNICEF staff members enrolled in online learning courses in supply-related subjects, while more than 300 partners participated in face-to-face training events along with UNICEF staff to strengthen supply chain management.

Harmonized approach to cash transfers

19. Management notes the issues raised by OIAI under the category harmonized approach to cash transfers (HACT). UNICEF continues to strengthen programming practices and computer applications. By January 2018, more than 8,600 staff and 5,000 partners had completed the comprehensive HACT e-course developed in 2016. And in the same period, more than 6,700 staff and 1,500 partners had completed the specialized course on requesting and reporting on the use of HACT funds. In 2017, UNICEF revised the terms of reference for auditing implementing partners' HACT-related practices to align with the terms of reference of other United Nations agencies and with international auditing standards. The most significant simplification effort in 2017 was the introduction of a new tool, called eZHACT, for recording direct cash transfers across all UNICEF offices. This tool has significantly compressed the time between approval of payment and receipt of payment by the implementing partner, from an average of 7–10 days to 2–3 days. It has also eliminated data redundancies, strengthened internal controls and sped up the recording of implementing partner financial reports.

Data protection and privacy

20. Management notes the issues raised by OIAI under the data protection and privacy category. In 2017, OIAI received information it requested on the Yemen Emergency Cash Transfer (ECT) project implemented by UNICEF (targeting 1.5 million people) as part of the audit conducted in November 2017. In addition, advice was sought from OIAI on how to best manage the ECT cases it noted. The ECT project also relied on some of the findings from the previous audit of a Yemen humanitarian cash transfer project in two governorates to inform risk management in terms of beneficiary data confidentiality and protection (covering contractual provisions for beneficiary data protection, the Management Information System (MIS) network security and restricted access rights) and due diligence (cross-checking the contractors/subcontractors against the sanctions list). In 2017, the Child Protection Section issued the Report on Advisory Engagement: Data Handling Policy (2017/30A) to advocate within Programme Division for the development of field guidance on data privacy.

21. The advisory report was useful in bringing Programme Division focal points from across sections to a consensus about the need for guidance, and for defining the scope of this initiative, which aims to give field-level practitioners the tools they need to properly operationalize privacy and data security in programming contexts.

Preventing fraud, corruption and other abuse, and safeguarding and child protection

22. Management notes the issues raised by OIAI under the categories of preventing fraud, corruption and other abuse, and child safeguarding and child protection. UNICEF has a policy of zero tolerance for all forms of fraud, corruption, and sexual harassment and exploitation, including abuses of power and authority, and is fully committed to ethical practices. The organization strongly encourages reporting of misconduct and protects staff from all forms of harassment or reprisals for whistle-blowing. The Executive Director has made an unequivocal commitment to the zero tolerance policy, including through disseminating this strong message to staff members. In 2017, the Executive Director began issuing an annual memo to all staff

at midyear to report the actions taken by UNICEF during the previous year to address proven wrongdoings by staff.

23. Over the last five years, according to UNICEF data, there were 27 cases of sexual misconduct against UNICEF staff members. Of these cases, three are currently under investigation, and nine ended with the staff member's dismissal or separation. Fifteen of the cases were withdrawn or could not be substantiated.

24. Recent events have provided an opportunity for UNICEF to redouble its efforts to address sexual harassment (the subject of investigations reported by OIAI) and sexual exploitation and abuse (the subject of investigations and a thematic audit recommendation of OIAI). The events have provided a similar impetus to improve programming relating to protection from sexual exploitation and abuse and child safeguarding.

25. In 2018, UNICEF will establish a dedicated child safeguarding unit led by a senior adviser. The unit is intended to propel forward the work of UNICEF in establishing a comprehensive child safeguarding framework in the next year, supporting a coherent approach across areas of work: child protection programming, child safeguarding and protection from sexual exploitation and abuse. Upon the full operationalization of the framework, child safeguarding functions will be embedded in each division, under its respective accountabilities.

26. To reduce the risk of sexual misconduct or failures in child safeguarding by UNICEF personnel and partners, the following actions have been or will be pursued:

(a) Standards of conduct expected of vendors and partners concerning sexual exploitation and abuse and child safeguarding continue to be strengthened. The strengthening will take place through improved evaluation, changes to supply and partnership agreements, and dissemination of UNICEF policy standards. UNICEF co-led the development a United Nations system-wide Implementing Partner Protocol, endorsed by the United Nations High-Level Steering Group on sexual exploitation and abuse, designed to establish a common United Nations framework for addressing such issues and concerns with partners;

(b) The staff recruitment process is being strengthened, including by ensuring that all information is provided in response to targeted questions and is updated annually;

(c) A shared facility for reference, background and criminal-record check has been set up by UNICEF and other United Nations entities. The facility complements a United Nations system-wide database to screen candidates who have been separated by other United Nations entities because of sexual exploitation and abuse, or suspicion thereof. The facility and database are scheduled to commence operation in 2018;

(d) Professional references of candidates for staff roles will be subject to more thorough vetting through verbal contact with three professional references, including one from the most recent supervisor. In recruitment for senior positions, further inquiries will be made into the workplace environment the candidate is leaving behind;

(e) Mandatory training for staff members in protection from sexual exploitation and abuse was rolled out in 2017. The course has been made available to all implementing partners. Going forward, UNICEF will be requiring annual repetition of mandatory courses by all staff members. Staff will also be required to reattest to having read the Code of Conduct and to retake the Oath of Office annually;

(f) UNICEF contributed to the drafting of a uniform protocol on the sharing of information and protection of victims of sexual exploitation and abuse, which was

finalized in 2018, together with the Office of the United Nations High Commissioner for Human Rights (OHCHR);

(g) Specialized and general risk assessment and mitigation tools on sexual exploitation and abuse are under development and being tested.

27. To improve UNICEF early detection and improved response to sexual misconduct and child safeguarding, the following actions are being or will be taken:

(a) Internal mechanisms for reporting misconduct are being improved, including through a dedicated misconduct webpage and the creation of a referral hotline. UNICEF recently launched a pilot of an anonymous "one-click" monitoring tool on sexual harassment, to provide a live snapshot of office environments and to permit real-time non-investigative responses;

(b) All reports of sexual exploitation and abuse from the country level must be reported to senior management at headquarters within 24 hours. New technological tools are under development to fortify this reporting and escalation;

(c) Global standard operating procedures (SOPs) for community-based sexual exploitation and abuse complaint procedures have been developed and field-tested by UNICEF and the Inter-Agency Standing Committee. United Nations inter-agency standards for reporting incidents and sharing information are under development;

(d) The capacity of OIAI to address sexual exploitation and abuse has been fortified, with all current staff having completed specialized training;

(e) Programme Cooperation Agreements are being further strengthened to give UNICEF more robust powers of recourse where there are reasonable suspicions of sexual exploitation and abuse by partner personnel;

(f) Assistance to victims of sexual exploitation and abuse (including medical care, psychosocial support, legal assistance, safety plans and access to school and material assistance, as needed) has been scaled up. UNICEF and OHCHR led the creation of an associated protocol.

28. To provide further assurance that UNICEF is employing best practices in these areas, UNICEF has commissioned an independent evaluation of its response to protection from sexual exploitation and abuse, and a separate independent review of its response to harassment in the workplace.

29. A dedicated unit within OIAI carries out investigations in accordance with the Uniform Principles and Guidelines for Investigations, and in conformity with due process principles, as laid out in chapter X of the United Nations Staff Regulations and Rules. The established channels, including a dedicated email address that allows users to remain anonymous (integrity1@unicef.org) are being used to bring concerns and allegations of wrongdoing to the attention of OIAI. As stated in the OIAI annual report for 2017, the number of investigator posts will be almost doubled from 6 in 2017 to 11 for 2018–2021. Management looks forward to having the increased capacity to strengthen preventive actions and to conducting investigations in priority areas, including sexual harassment and exploitation.

30. Management notes that 74 allegations received in 2017 were found to constitute sufficiently serious suspicions of wrongdoing to warrant investigation, compared to 72 in 2016 and 90 in 2015. In addition, in 2017, OIAI managed 42 allegations accepted for investigations carried over as of 1 January 2017, for a total of 116 cases in 2017. The Office closed 69 of 116 cases and reopened 1 case in 2017, and carried 48 forward to 2018, a profile relatively similar to the one seen at the end of 2016.

31. Management continues to note with appreciation that OIAI assesses all allegations and investigates those that it believes warrant additional consideration.

Management notes that most cases are addressed within the prescribed time of nine months, as OIAI reports. This profile of closure within 9 months for cases in 2017, at 67 per cent, is close to that observed for 2016, at 73 per cent. Management recognizes that complexity and due process influence the time required to close cases. With the addition of five more investigator positions in the OIAI 2018–2021 management plan — for a total of 11 investigator positions – it is anticipated that the timeliness of case closure will significantly improve, especially those pertaining to allegations of sexual exploitation and abuse, sexual harassment, harassment and abuse of authority.

32. The majority of the 74 new investigation cases opened in 2017 consisted of fraud involving misuse of programme funds by third parties (20 cases); alleged fraud and forgery (11 cases); allegations of inappropriate staff conduct (8 cases); allegations of sexual harassment and exploitation (6 cases); and one case of alleged whistle-blower retaliation, which the Ethics Office turned over to OIAI to pursue, as is called for in UNICEF procedures.

33. As OIAI reports, of the 69 cases closed in 2017, 34 were closed because the allegations could not be substantiated, 9 were closed following action taken by a UNICEF office or partner, 5 cases were referred to another United Nations body or local authority in instances where the allegation was outside of UNICEF jurisdiction, and 1 case was closed because no perpetrator of the reported misdeed could be identified. Five cases were closed following the resignation or retirement of the staff member under investigation; and one case, involving a loss of $5,394, was closed, with the funds fully recovered. Management notes that when a staff member leaves the organization before an investigation is completed, staff rules allow UNICEF to recoup proven losses from the staff member's final payment. Two staff were separated from UNICEF following referral to the Division of Human Resources (DHR) in cases that identified $20,340 in losses, of which $1,080 had been recovered as at 28 February 2018.

34. Management takes note of the geographic origination of allegations in 2017, with the largest percentages distributed among the following regions: West and Central Africa (WCAR; 27), South Asia (23), Eastern and Southern Africa (ESAR; 19), and the Middle East and North Africa (MENAR; 16). Management highlights that with the relatively small number of allegations made annually, every case significantly impacts the geographic distribution. Management also notes that the distribution by region continues to approximately coincide with the scale of programmes, numbers of staff and the risk environment.

35. UNICEF pursues and seeks recoveries of all identified financial losses and notes the Executive Board's concern in decision 2017/10 to maintain diligence in seeking recoveries. All losses are pursued and recovery actions are regularly monitored.

36. UNICEF is strengthening the framework to pursue and seek recoveries from fraud loss. The initiative to develop a UNICEF anti-fraud strategy, which aims to consolidate preventive, detective and responsive protocols and mechanisms, was launched in October 2017. A draft anti-fraud strategy was submitted to executive management for review in December 2017 and was approved in early 2018. This strategy will be rolled out in the first half of 2018. Internal controls capacity was enhanced through a strengthened focus on the systems that enable coordinated monitoring of investigations resulting in financial losses due to fraud or misconduct. This will enhance consistency in efforts to recover losses across the organization.

37. The losses identified in closed investigation cases in 2017 were $2,150,093. This sum includes two cases from countries in ESAR, where losses of $1,097,282 (cases 25 and 27 in the OIAI annual report) were referred to local authorities because the issues are outside United Nations jurisdiction, and $432,101 lost by a country office in WCAR (case 46 in the OIAI annual report).

38. As reported by OIAI, there were six allegations of sexual harassment and exploitation. One case was substantiated, and the staff member resigned. Three cases were closed as unsubstantiated, and two cases continue to be investigated as at 28 February 2018.

39. Fifteen investigation cases were submitted by OIAI to the Policy and Administrative Law Section of DHR in 2017. Twelve of these cases were closed by DHR by 31 December 2017 through actions that included separations, demotions, a loss of step, a written reprimand, and a warning letter. Three cases with DHR remain open, with actions pending. In 2017, DHR also closed all five cases that had carried over from 2016.

Generating and sharing knowledge

40. Management notes the issues raised by OIAI under the category of generating and sharing knowledge. As a knowledge-based organization, UNICEF supports knowledge-sharing across all offices. UNICEF management acknowledges the findings in audits that identified good practices in knowledge-sharing between offices with common or connected matters, especially those that are managing emergencies.

41. Management is committed to fostering an even greater knowledge-sharing environment, using all available tools, including business platforms that both reduce the cost and increase the accessibility of knowledge-sharing for all UNICEF staff.

IV. Management actions and plans to address the recommendations from internal audit and advisory reports in 2017

A. Overview

42. UNICEF management appreciates the continued attention given to governance, programme management and operational support in the audits of country offices, as well as the findings reported by OIAI. UNICEF management appreciates the approach of reporting 'agreed actions' that signals the acceptance by management to implement actions to address the reported findings. In the audit reports, each agreed action is followed by the staff posts responsible for taking action and the date by which each action is planned to be completed.

43. OIAI notes that in 2017, the 22 audit reports issued that year to UNICEF country offices included 240 recommendations, of which 51 were rated as high priority. Management notes the continuing gradual annual decline in the percentage of actions that are rated as high priority in the last two years, from 23 per cent in 2016 to 21 per cent in 2017.

44. Management highlights that 6 of the 22 country offices audited in 2017 were operating in humanitarian programming environments. The offices in Jordan, Lebanon and Yemen are in Level 3 emergency environments, and the offices in Chad (follow-up audit), Iraq (follow-up audit) and Niger are in Level 2 emergency environments. Management is pleased to note that, within highly challenging environments, the offices in Jordan, Lebanon and Niger received satisfactory audit opinions (moderately qualified) and that the follow-up audits of the Iraq and Chad offices found that these offices, which had received adverse opinions in 2016, had made considerable progress in the establishment of satisfactory controls in areas identified by the audits.

45. Management notes that no audit report issued in 2017 included an adverse rating, compared to two audits with this rating in 2016. However, management notes with concern that in 2017, a total of 6 audits received a strongly qualified rating as compared to 3 in 2016 and 11 in 2015.

46. UNICEF management notes that of the 20 audit reports of UNICEF activities issued in 2017 for which OIAI issued ratings, 14 had a rating of moderately qualified, which is 70 per cent of all rated reports. In its annual report, OIAI notes that "unqualified or moderately qualified (satisfactory) audit ratings signal to management that controls and processes are generally established and functioning as intended with only relatively minor modifications needed." Management notes that this is comparable to 77 per cent of audit reports rated as satisfactory in 2016, and 71 per cent in 2015. Management does note that in 2017, no office was rated unqualified, compared to 4 audit reports, from among the smallest UNICEF country offices, that received such a rating in 2016.

47. Management appreciates the sustained attention to follow-up by OIAI to offices that receive adverse audit ratings. The follow-up audits in 2017 of the Chad and Iraq country offices, which had received adverse ratings in 2016, supported the offices in improving their internal control practices and provided management with assurance that agreed actions were undertaken and sustained.

48. Management notes that all agreed actions issued in reports to 19 of the 22 country/area offices in 2016 were closed as at 28 February 2018.

49. In 2017, UNICEF initiated improved country office workplanning processes to integrate humanitarian response and to simplify the procedures for partnerships with civil society organizations. In 2018, UNICEF is reviewing its SOPs applied in emergency programming and is coordinating an inter-agency review of the Level 3 mechanisms to further accelerate timely and effective delivery of at-scale humanitarian response. In late 2018, UNICEF will review the Core Commitments for Children in Humanitarian Action, with reference to the analysis and recommendations in the 2017 report *Towards improved emergency responses. Synthesis of UNICEF evaluations of humanitarian action 2010–2016*.

50. To support country and regional offices operating in humanitarian contexts, UNICEF maintains an emergency response team (ERT) mechanism with staff based in the Office of Emergency Programmes (EMOPS) and other headquarters divisions who are temporarily deployed to support existing country office capacity when needed, especially at the onset of new emergencies or during sudden shocks in protracted crises. In 2017, a total of 14 ERT members undertook 58 missions to 25 offices — including the Rohingya response in Bangladesh, the Democratic Republic of the Congo, Somalia and Yemen — providing over 2,000 person-days of support for emergency coordination, operations, security, communications and technical support in all programme areas. Additional support was provided by staff from other UNICEF field offices — who benefit the assisted offices in times of acute crisis and who also bring back important emergency experience to their own offices — and from standby partners that UNICEF has identified in advance to speed placements in times of need.

51. Building on lessons learned and projected need, the ERT capacity during the period of the UNICEF Strategic Plan, 2018–2021 is being expanded to 25 members. The expanded ERT will include expertise in emergency cash transfers, accountability to affected populations, and gender in emergencies, and will strengthen UNICEF capacity to support more country offices concurrently. UNICEF is also revising the mechanisms to broaden the scope of expertise from offices and standby partners for emergency preparedness and response.

B. Status of activities to strengthen controls in country offices with medium- and high-priority actions

52. As at 28 February 2018, OIAI had closed 39 per cent of the actions from the audit reports of country/area offices issued in 2017 for which implementation reports were due by that date. OIAI has informed management that all 14 offices for which reports were due had submitted their reports by the required deadline. However, the action reports from four offices submitted in the latter half of 2017 are under review by OIAI and remain unclosed, and the reports from two other offices led to the closure of one agreed action in each of the two offices.

53. Regional offices continue to participate in audit exit meetings, on-site or remotely, to obtain a first-hand understanding of identified issues and to assist country offices in developing practical action plans, and further provide targeted support to offices that receive unsatisfactory (moderately qualified and adverse) audit opinions.

54. In the MENA region, 69 per cent of the agreed actions from the 2017 audit of the Yemen Country Office (strongly qualified) were closed by 28 February 2018; a second status report from Yemen was submitted in February 2018 and was pending review by OIAI. All agreed actions from the 2017 follow-up audit of the Iraq Country Office (not rated) were closed by 28 February 2018. The reports on agreed actions from the audits of the offices in Jordan and Lebanon (both moderately qualified) were not due as at 28 February 2018. Building on lessons learned in recent years, the 2018–2021 OMP for the Middle East and North Africa Regional Office (MENARO) includes strengthened teams for the management of HACT, monitoring and evaluation, and donor reporting across the region.

55. In 2017, MENARO monitored and supported overall strengthening of country office performance in areas including the management of budgets, accounts and assets, and staff recruitment. MENARO continued to advance staff skills in the region, holding workshops on contracting for services for the third consecutive year. In 2017, workshops included a specialized course in contracting for water, sanitation and hygiene services, which is the largest contracting type by value for country offices in the region. To assist staff operating in high-risk environments, MENARO advanced the peer-support volunteer function across offices in the region, and continued providing support from the regional staff counsellor.

56. To strengthen capacity in the Yemen Country Office, MENARO and EMOPS organized surge-mission support to address capacity gaps, including those identified in the 2017 audit report. MENARO also supported the establishment of a unit in the Yemen Country Office to manage that office's emergency cash transfer actions and the creation of a position for internal controls (P-4 level).

57. In WCAR, the audited country offices in Liberia (strongly qualified), Mauritania (moderately qualified) and Niger (moderately qualified) reported actions taken within two months following release of the audit report. The reports on agreed actions from the audits of the country offices in Mali (moderately qualified) and Sierra Leone (strongly qualified) were received by OIAI in February 2018 and are awaiting review. Following the audit of the Chad Country Office in 2016, which resulted in an adverse rating, a follow-up audit of the Chad Country Office (not rated) disclosed in 2017 reviewed actions taken to address the agreed-upon findings from the 2016 audit of that office, with no new recommendations issued.

58. The West and Central Africa Regional Office (WCARO) received approval to expand its regional oversight and support capacity from January 2018 in its 2018–2021 OMP, with the creation of new positions that address fraud prevention, evaluation, construction management, HACT, and staff recruitment and performance

assessment. Results-based management (RBM) training continues to advance in the region, having reached over 1,000 staff members by the end of 2017. WCARO further strengthened its attention to fraud and ethics in 2017 through the formation of a multi-office network of operations officers, which developed actions that will be mainstreamed across the region in 2018. WCARO supported the Liberia Country Office to secure closure of 71 per cent of the audit recommendations made to that office within three months of issuance of the report. It also supported the Sierra Leone Country Office in assessing its staffing structure and maintaining the Supply Officer post (P-5), which was established during the Ebola crisis. The Sierra Leone Country Office receives priority attention in the WCARO 2018 OMP.

59. In ESAR, timely implementation reports were issued by all offices audited in the region in 2017: Angola (moderately qualified); Botswana (moderately qualified), Lesotho (moderately qualified), Rwanda (moderately qualified) and the United Republic of Tanzania (strongly qualified). By 28 February 2018, 75 per cent of the recommendations issued to the United Republic of Tanzania Country Office had been closed. A second implementation report from that office was received by OIAI in February 2018 and was awaiting review. The Regional Office received approval to expand its regional oversight and support capacity from January 2018 in its 2018–2021 OMP, with the creation of new or upgraded positions for corporate performance, monitoring and evaluation, and knowledge management. These positions will enhance the fulfilment of the Regional Office's leadership and support role in the mutual accountability compacts established with country offices in the region. In 2017, the compacts continued the profile established in previous years, which include the effectiveness of internal controls and the efficiency of business processes, with attention to risk management and timely incident-reporting. ESARO continued its practice of peer reviews among offices in the region, which promotes knowledge exchange and identification of best practices for replication. A notable example in 2017 is the SOP on the minimization of fraud and looting risk developed by the South Sudan Country Office. The Regional Office continued to advance skill development with over 1,250 staff trained in RBM in 2016–2017. Training in performance management reached over 1,200 staff in 17 offices in 2017.

60. In South Asia, the report of agreed actions from the audit of the Pakistan Country Office (strongly qualified) was not due as of 28 February 2018. The Regional Office advanced the application of evaluation findings for continued programme improvement in 2017 through lessons-learned sessions in all regional meetings of programme specialists and senior management. In 2017, management advanced RBM and HACT training to include specialized materials and training for government and civil society programme partners. Support to the Pakistan Country Office has been increased to include the area of HACT management.

61. In the Latin America and Caribbean Region, the Haiti Country Office issued its first status report to OIAI on the agreed actions in the 2017 audit report, which included a strongly qualified audit opinion. The Regional Office received approval to expand its oversight and support capacity from January 2018 in its 2018–2021 OMP, with the creation of new positions in HACT, procurement services, and monitoring and evaluation, although recruitment for some of the posts is subject to the availability of funding. RBM training initiated in 2016 had reached 18 offices in the region by the end of 2017 and included participation from 62 partner organizations. The remaining six offices will complete RBM training in 2018. In 2017, the Regional Office completed a review of the supply and logistics management practices in the Haiti Country Office. A 2017 review of the quality of new country programme documents and strategy notes found two to be of high quality and three to have met established standards.

62. The Haiti Country Office, which received priority attention from the Regional Office, in 2017 received support in several areas: the major cholera and hurricane responses, emergency programming, performance monitoring, partnerships management, evaluation, and data generation, analysis and reporting. A total of 54 staff members participated in RBM training. In 2018, Regional Office support will continue in areas including programmes, HACT monitoring, evaluations and the application of RBM in partnerships management.

63. In the Europe and Central Asia Region (ECAR), all agreed actions from the 2017 audit of the Kyrgyzstan Country Office (moderately qualified) were closed by 28 February 2018. The reports on the agreed actions from the audits of the country offices in Albania, Croatia and Ukraine, with all three offices rated as moderately qualified, were not due as at 28 February 2018. In its 2018–2021 management plan, the Regional Office received approval to expand its oversight and technical support capacity in the areas of migration, staff well-being and ethics, security, information technology and supply and procurement, and to continue its support to HACT and partnership management. Ethics and fraud training was conducted with all UNICEF representatives in the region in 2017, with further actions planned for 2018, along with RBM training for all operations officers to supplement the online RBM training completed by approximately 200 staff members in 2017.

64. In the East Asia and the Pacific Region (EAPR), the 2018–2021 OMP incorporated structural changes designed to improve the oversight function in HACT and other areas. It including additional planning, evaluation, analysis and human resources. These aim to increase regional capacity to monitor country office performance.

65. Through emphasis on ERM, the East Asia and the Pacific Regional Office (EAPRO) is further developing its capacity to monitor, oversee and engage with country offices to improve overall performance and strengthen prevention and mitigation of the risk of fraud and misuse of resources. EAPRO continues to provide close oversight and technical support to country offices and partners, ensuring that capacity is built and zero tolerance of fraud policy is visibly applied. EAPRO continued to monitor the completion of ethics training. In 2018, the region will be an engaged and supportive partner in the application of the new anti-fraud strategy.

66. In 2016 and 2017, RBM was rolled out across EAPR and more than 400 staff were trained. The 2018–2021 OMP includes planned improvements in RBM by continued strengthening of the availability and quality of data for children, and by the piloting of the UNICEF Data for Children Strategy in priority countries. EAPRO undertook several other initiatives in staff skills development in 2017: the EAPR Career Initiatives of the peer exchange programme, online career campus, and the mentoring programme, as well as the long-term agreement for the coaching of supervisors. Moreover, eight performance management workshops were organized in the country offices, in addition to related webinars.

C. Management actions and plans to address the recommendations regarding headquarters and systems audits, advisory services, and inter-agency audits

Audits undertaken prior to 2017

67. The 2017 OIAI annual report lists seven audit actions that remained open for more than 18 months as of 31 December 2017, which is a slight increase from the five audit actions that had remained open for more than 18 months at the end of 2016.

68. The seven agreed actions are directed towards headquarters functions. The status of each agreed audit action outstanding for more than 18 months at the end of 2017 is presented in the annex to the report.

69. In 2016, OIAI issued four reports of audits of headquarters functions and systems, and thematic subjects. As at 28 February 2018, all agreed actions had been completed for two of these audits, and all actions contained in the two other audit reports are expected to be completed in 2018:

(a) **Procurement of Programme Supplies by Supply Division for delivery to Country Offices**: All agreed actions are closed;

(b) **ICT Infrastructure and Disaster Recovery Planning in Field Offices**: All agreed actions are closed;

(c) **Management of Other Resources**: OIAI has closed 13 of the agreed actions following implementation by management, and it is anticipated that the remaining 5 actions will be completed and closed in 2018;

(d) **Programme Division**: Following management's action, implementation of 13 of the 17 agreed actions has been completed, pending review and confirmation by OIAI. Management is addressing the remaining agreed actions and anticipates they will be completed and closed in 2018.

Advisory services provided in 2017

70. Following requests for support from management, the office provided advisory services in a number of areas, and produced two advisory reports, on Humanitarian Cash Transfers — one on global issues and one specifically for Yemen — and on the Data Handling Policy, which is based on a review of practices in the Child Protection Section. Reports from advisory services do not include recommendations. The Yemen Country Office notes with appreciation the support they received in addressing emergency cash transfer data errors and controls over fraud and corruption. The Child Protection Section notes with appreciation the advisory service report on the Data Handling Policy and has used the report to promote the development of field guidance to staff and partners on data privacy and security in programming contexts.

Inter-agency audits issued in 2017

71. Management notes with appreciation increasing engagement by OIAI with other United Nations agencies in the implementation of joint audits. In 2017, OIAI participated in five joint audits, serving as the lead agency in one. The Consolidated Report on the Audit of the South Sudan Common Humanitarian Fund included two recommendations to UNICEF, and these were closed before the report was issued. Four audits did not include any recommendations specific to UNICEF. However, the audits of Delivering as One in Viet Nam and the Sustainable Development Goals Fund Joint Programme in Guatemala included eight recommendations to the United Nations Resident Coordinator, to be addressed with support from the United Nations country teams, of which UNICEF is a member.

V. Management comments on the UNICEF Audit Advisory Committee annual report for 2017

72. UNICEF management continues to appreciate the important contribution of the AAC to the effective and independent oversight of the organization. As noted in the AAC 2017 annual report to the Executive Board, the committee members regularly interacted with the Deputy Executive Director (Management) and other senior

managers, and met with the Executive Director during the year. The three AAC meetings held in 2017 and the resulting reports and issue-specific strategic memorandums are valuable contributions to UNICEF oversight and management practices. Management appreciates the acknowledgement made by the AAC, in its 2017 annual report, of UNICEF consideration of the AAC suggestions.

73. UNICEF management appreciates the acceptance by the AAC of the request to expand the role of the Committee to include the evaluation function, and the addition of one new member to assure expertise in addressing this new role. Management also appreciates the uptake by the AAC of the suggestion for the Committee members to visit UNICEF offices and National Committees for UNICEF in members' home countries, as well as the visits made in 2017 to the ECA Regional Office and the GSSC. These have improved AAC awareness of UNICEF work and have strengthened UNICEF staff awareness of the role of the AAC. Management further appreciates the engagement of the UNICEF AAC members in 2017 with members of similar bodies operating in other United Nations entities. It also appreciates the plans of the AAC to propose revisions to its Charter in 2018 to better align the work of the AAC with the UNICEF Strategic Plan, 2018–2021, to the evolving professional standards for audit advisory committees, and to the priorities of the new Executive Director.

74. UNICEF management appreciates the active engagement of the AAC in management actions to address major organizational issues, which in 2017 included enterprise risk management, monitoring UNICEF governance risk and compliance initiatives, performance management systems, cybersecurity and data privacy. Management welcomed the opportunity to brief the Committee and discuss these issues in AAC meetings.

75. Management appreciates the Committee's consideration of the wide range of the organization's assurance functions for ethics, evaluation, and audit and investigations. Management also appreciates the review of the implementation status of the recommendations made by the United Nations Board of Auditors to UNICEF and the two meetings the AAC held with the Board of Auditors in 2017. Management also appreciates the AAC review of the UNICEF 2016 draft financial statements and management letters, with AAC advice incorporated into the final statements.

Annex

Progress update on audit recommendations that remained unresolved for more than 18 months as of 31 December 2017

Agreed action in the OIAI 2017 annual report	*Progress update*
Audit of the Public Sector Alliances and Resource Mobilization Office (PARMO), issued December 2013 (two recommendations)	
Two recommendations pertain to the Office of the Executive Director's agreeing to issue an Executive Directive that states the strategic vision and implementation framework for the UNICEF resource mobilization function, outlines the roles and responsibilities assigned to the Public Sector Alliances and Resource Mobilization Office (now Public Partnerships Division, or PPD) and other UNICEF organizational units, establishes a strategy and requirements to improve the quality and timeliness of donor reports at the global level, and clarifies the responsibilities of PPD and regional offices regarding oversight and support on donor reporting.	For the period of the UNICEF Strategic Plan, 2018–2021, UNICEF plans to disseminate a new Resource Mobilization Strategy accompanied by the related Accountability Framework and inclusive of the reporting function. The revised strategy has been cleared by the Directors of PPD and the Division of Private Fundraising and Partnerships, and is under consultation with Regional Directors and various other directors at headquarters. The comments being received will be incorporated into a final strategy, expected to be completed by the end of Q1 2018.
Audit of the Management of Service Contracts in UNICEF's Headquarters Divisions, issued June 2015 (three recommendations)	
Two recommendations pertain to the Division of Financial and Administrative Management (DFAM)'s agreeing to revise the Contracts Review Committee (CRC) policy, and identify systems for transaction-level monitoring (including managing risks of potential splitting of contracts) and solutions enabling recording multi-year contractual arrangements through purchase orders within VISION.	As noted in the OIAI annual report, the final rounds of consultation with stakeholders on the revision of the CRC policy have taken place. The enhancements and changes proposed for simplification of the policy, training for CRC members in procurement, the launch of the CRC tool in 2018 to automate the CRC processes in headquarters, and assistance provided in shaping the development of the CRC procedures are expected to be completed by Q2 2018, addressing all the recommendations. Technical solutions for transaction-level monitoring are under consideration, while solutions enabling recording of multi-year contractual arrangements are already in place.
One recommendation pertains to the Ethics Office's agreeing to evaluate the effectiveness and efficiency of the Conflict of Interest and Financial Disclosure Programme (CIFDP) policy to determine whether it achieves its intended objectives and impacts, to identify lessons learned from the programme's implementation, and to review and clarify the policy criteria for the type of staff to be	With the 2017 CIFDP exercise having been completed at the end of 2017, the Ethics Office plans to conduct a Fit for Purpose Evaluation of the programme during the first half of 2018. The implementation was delayed to first give the new Principal Adviser, Ethics, the opportunity to make changes to the programme and then evaluate its effectiveness.

Agreed action in the OIAI 2017 annual report	*Progress update*
included in the programme to ensure that it is risk-informed.	
Audit of the Kenya Country Office, issued June 2015 (two recommendations)	
One recommendation pertains to DFAM, to issue budgeting tools and guidance to assist country offices in costing workplan activities and output results.	UNICEF is developing a Budget Formulation Tool, a web-based financial planning tool that will enable clear links to be made between resources and output results as part of the programme design and planning process. With requirements definition and system design having been completed, the tool is presently in the "build" phase, and corresponding guidance will be developed. Testing and training will take place along with phased roll-out and deployment during the first half of 2018. Country offices, including the Kenya Country Office, will be trained and using the system by the end of 2018.
One recommendation pertains to DFAM's agreeing to develop revised policy, procedure and guidance for records management in country offices, as part of Enterprise Content Management (ECM).	Following recruitment of dedicated resources for the organization-wide ECM management initiative, UNICEF has developed retention schedules, a paperless records classification plan and other resources for utilization in the field, scheduled for release in Q1 2018.